

103^D CONGRESS
1ST SESSION

H. R. 641

To amend the Internal Revenue Code of 1986 to provide that no deduction shall be allowed for personal income taxes paid to a State (or political subdivision thereof) which taxes nonresidents on income derived from certain Federal areas.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 1993

Mr. SUNDQUIST introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide that no deduction shall be allowed for personal income taxes paid to a State (or political subdivision thereof) which taxes nonresidents on income derived from certain Federal areas.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. DENIAL OF DEDUCTION FOR INCOME TAXES**
2 **PAID TO STATES WHICH TAX NONRESIDENTS**
3 **ON INCOME EARNED IN CERTAIN FEDERAL**
4 **AREAS.**

5 (a) IN GENERAL.—Section 164 of the Internal Reve-
6 nue Code of 1986 (relating to deduction for taxes) is
7 amended by redesignating subsection (g) as subsection (h)
8 and by inserting after subsection (f) the following new
9 subsection:

10 “(g) DENIAL OF DEDUCTION FOR TAXES PAID TO
11 STATES WHICH TAX NONRESIDENTS ON INCOME
12 EARNED IN CERTAIN FEDERAL AREAS.—

13 “(1) IN GENERAL.—No deduction shall be al-
14 lowed under this section for personal income taxes
15 imposed by any State (or political subdivision there-
16 of) which imposes a tax on income—

17 “(A) from transactions occurring or serv-
18 ices performed in a specified Federal area lo-
19 cated within such State, and

20 “(B) of any individual—

21 “(i) who is not a resident or domi-
22 ciliary of such State, and

23 “(ii) who is a resident or domiciliary
24 of an adjacent State.

25 “(2) PERSONAL INCOME TAXES.—For purposes
26 of this subsection, the term ‘personal income taxes’

1 means income taxes which are not paid or incurred
2 in carrying on a trade or business or an activity de-
3 scribed in section 212.

4 “(3) SPECIFIED FEDERAL AREA.—For purposes
5 of this subsection, the term ‘specified Federal area’
6 means any Federal area which is used in whole or
7 in part for Federal military defense purposes and
8 which includes portions of Kentucky and Ten-
9 nessee.”

10 (b) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 1989.

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